

Message Text

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ACTION STR-02

INFO OCT-01 SS-14 ISO-00 EUR-08 STRE-00 NSCE-00 INR-05
CIAE-00 NSAE-00 L-01 EB-04 SP-02 OMB-01 TRSE-00
IO-06 EA-06 PRS-01 INRE-00 SSO-00 /051 W
-----118190 191724Z /53

O P 191636Z OCT 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 9476

INFO AMEMBASSY BRUSSELS IMMEDIATE

USMISSION GENEVA PRIORITY

AMEMBASSY BONN

AMEMBASSY TOKYO

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 17358

LIMDIS

DEPARTMENT PASS STR FOR AMBASSADORS STRAUSS AND WOLFF
FROM AMBASSADOR MC DONALD

USEEC ALSO FOR EMBASSY

USOECD ALSO FOR EMBASSY

USMTN ALSO FOR MISSION

E.O.11652: GDS

TAGS: ETRD, MTN, UK

SUBJECT: MTN DISCUSSIONS WITH UK

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REF: (A) LONDON 16560; (B) STATE 250260; (C) USEC 14388

1. WE HAD POSITIVE MEETINGS TODAY (OCT. 19) IN LONDON
WITH GREATER PROGRESS THAN ANTICIPATED IN GAINING UK
ACCEPTANCE OF U.S. POSITIONS IN THE MTN. MEETINGS IN-
CLUDED 45-MINUTE SESSION WITH EDMUND DELL AND TWO-HOUR
LUNCHEON WITH SIR LEO PLIATZKY, ROBIN GRAY AND DEREK

THOMAS (FCO). ATTENDING FROM THE U.S. SIDE WERE AMBASSADOR MCDONALD, MESSRS. HOLMES AND TARRANT FOR THE DELL MEETING; ALSO DCM STREATOR FOR THE LUNCHEON SESSION. CONVERSATIONS WERE CANDID AND ADDRESSEES SHOULD AVOID BEING TOO SPECIFIC IN LINKING UK NAMES WITH SUBSTANTIVE POSITIONS TAKEN.

2. BRITAIN WILL PROBABLY GO ALONG WITH U.S. POSITION FOR 40 PERCENT TARIFF REDUCTION WITH REASONABLE ASSURANCES ON PROGRESS TOWARD SELECTIVE SAFEGUARDS.

3. CONDITIONALITY PROBLEM LARGELY RESOLVED WITH GOOD PROSPECTS FOR HANDLING THIS AS A DRAFTING CONSIDERATION FOR FINAL DECISION AT THE END OF THE MTN. BRITISH RECOGNITION OF U.S. INSISTENCE ON 40 PERCENT OBJECTIVE LINKED CLEARLY WITH SWISS DEGREE OF HARMONIZATION, PREFERENCE FOR NO CONDITIONALITY AT THE END OF THE DAY, BUT ACCEPTANCE OF "ESCAPE VALVE" POSSIBILITIES LEADING TO POSTPONEMENT OF TARIFF CUT IMPLEMENTATION IN LATER YEARS IF POLITICALLY ESSENTIAL BEFORE SIGNATURE.

4. BRITISH CONCERNS ON SAFEGUARDS ARE AS MUCH POLITICAL AS ECONOMIC, BUT PRIMARY INTEREST IS TO AVOID POSSIBILITY OF TRADE WAR WITH THE U.S. AT ANY TIME. CONSEQUENTLY, THEY SEEK A SAFEGUARDS CLAUSE, NOT DISSIMILAR FROM OUR OWN INTERESTS, PERMITTING THEM TO TAKE GOVERNMENTAL

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ACTION TO STOP DISRUPTIVE MARKET MOVEMENTS. MCDONALD EMPHASIZED THAT U.S. WOULD WANT THIS APPLIED WITHOUT DISCRIMINATION TO ALL COUNTRIES CREATING THE DISRUPTION (RATHER THAN SIGNALLING OUT ONE OR TWO COUNTRIES BY NAME)

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 17358

LIMDIS

AND FAVORED ONLY CONDITIONS THAT WERE TEMPORARY AND THAT WOULD AUTOMATICALLY GO OUT OF EXISTENCE IN TIME (E.G., FIVE YEARS). MCDONALD ALSO EMPHASIZED THAT THE MAJOR PROBLEM ON SAFEGUARDS IS TO GAIN A COMMUNITY CONSENSUS RATHER THAN TO BRIDGE A DIFFERENCE BETWEEN THE U.S. AND THE UK. IN ORDER TO SUPPORT, OR AT LEAST TO REMAIN NEUTRAL, TO THE U.S. AIMS IN OTHER AREAS OF THE NEGOTIATIONS, INCLUDING TARIFFS, THE UK WOULD LIKE ASSURANCE THAT EVEN IF THE SAFEGUARDS CODE AS ULTIMATELY ADOPTED FALLS SHORT OF THEIR DESIRES, THE U.S. WILL ASSURE THEM PRIVATELY THAT NO TRADE WAR WILL BE PERMITTED TO BREAK OUT BETWEEN OUR TWO COUNTRIES. THE MOST DIFFICULT, SUBSTANTIVE ISSUE WE WILL FACE CONCERNS NON-GOVERNMENTAL, CONFIDENTIAL

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VOLUNTARY RESTRAINTS, BUT THAT ONE AT LEAST CAN BE POSTPONED UNTIL WE HAVE MOMENTUM BUILT UP ELSEWHERE IN THE NEGOTIATIONS.

5. BECAUSE OF THE FAR MORE POSITIVE RESULTS FROM BOTH MEETINGS THAN HAD BEEN ANTICIPATED, MCDONALD WILL ARRANGE A QUICK RETURN TRIP TO THE UK NEXT WEEK AT BRITISH REQUEST TO CONTINUE THE DISCUSSIONS, HOPEFULLY THEREBY GAINING THEIR AGREEMENT TO EVEN A FORMAL TARIFF PLAN ALONG THE LINES WE SEEK, IF THIS CAN BE WORKED OUT WITH THE FRENCH.

6. MCDONALD STRONGLY URGES THAT AMBASSADOR STRAUSS TAKE A FEW MINUTES WITH AMBASSADOR WOLFF TO MEET WITH LEO PLIATZKY DURING HIS VISIT TO WASHINGTON ON OCTOBER 31 -

NOVEMBER 1. A SIMILAR CONVERSATION TO YOUR DISCUSSION WITH AMBASSADOR JAY, REINFORCING THE POINTS COVERED BY MCDONALD IN LONDON, COULD WELL BRING THE BRITISH INTO A COMMITTED, COMMON POSITION WITH THE U.S. ON THE MTN.

7. A DETAILED CABLE COVERING THE CONTENT OF THE DISCUSSIONS WILL BE FILED BY LONDON ECONOMIC OFFICERS TO SUPPLEMENT THIS BRIEF REPORT BY MCDONALD.

BREWSTER

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